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## INVEST

### FOREIGN DIRECT INVESTMENT

After experiencing a period of growth in 2005-2008, foreign direct investment inflows to Croatia collapsed as an effect of the global economic crisis (the tourism sector was particularly affected). Since then, FDI flows have been struggling to return to their pre-crisis levels. According to UNCTAD's [World Investment Report 2023](#), total FDI inflows reached USD 3.67 billion in 2022, down 17% year-on-year. In the same year, the total stock of FDI stood at USD 38.3 billion, around 53.9% of the country's GDP. The main investing countries are the Netherlands (16%), Austria (14%), Germany (11%), Luxembourg (10%), Italy (9%), and Hungary (7%). The sectors receiving the most FDIs are financial services (25%), manufacturing (17%), real estate (16%), wholesale and retail trade (14%), ICT (7%), and tourism (4% - source: Ministry of Economy). According to preliminary figures from the National Bank, the cumulative net inflow of FDI in the four quarters to end-September 2023 amounted to EUR 2.72 billion, equal to 3.7% of Croatia's GDP.

Croatia suffered from a poor image linked to corruption and an inefficient judicial system. Despite the Croatian government's efforts to improve the business climate through judicial reform, a historical pain point for investors, the economy still faces challenges. These include underperforming state-owned enterprises, a lack of regulatory transparency, and delays in approving permits, particularly in the energy sector, which hinder further development. The country has high-quality infrastructure and high touristic potential, a well-educated workforce, and a strategic position. Croatia does not have a foreign investment screening mechanism and does not discriminate between national and foreign investors, except in certain sectors in which foreign ownership is restricted (e.g., inland waterways transport, maritime transport, rail transport, air-to-ground handling, freight-forwarding, publishing, ski instruction, and primary mandated healthcare). The recently amended Investment Promotion Act (IPA) offers incentives to investment projects in manufacturing and processing activities, development and innovation activities, business support activities, and high added-value services, in the form of tax refunds or cash grants. On 1 January 2023, the country adopted the euro and became the 20th member of the euro area. Croatia ranks 44th among the 132 economies on the [Global Innovation Index 2023](#) and 39th out of 184 countries on the latest [Index of Economic Freedom](#).

Foreign Direct Investment	2020	2021	2022
<b>FDI Inward Flow</b> <i>(million USD)</i>	146	4,427	3,675
<b>FDI Stock</b> <i>(million USD)</i>	38,496	39,200	38,314
<b>Number of Greenfield Investments*</b>	40	29	34
<b>Value of Greenfield Investments (million USD)</b>	669	1,037	2,002

Source: UNCTAD - Latest available data.

Note: \* Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

Country Comparison For the Protection of Investors	Croatia	Eastern Europe & Central Asia	United States	Germany
<b>Index of Transaction Transparency*</b>	5.0	7.5	7.0	5.0
<b>Index of Manager's Responsibility**</b>	6.0	5.0	9.0	5.0
<b>Index of Shareholders' Power***</b>	6.0	6.8	9.0	5.0

Source: Doing Business - Latest available data.

Note: \*The Greater the Index, the More Transparent the Conditions of Transactions. \*\*The Greater the Index, the More the Manager is Personally Responsible. \*\*\* The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.

## WHAT TO CONSIDER IF YOU INVEST IN CROATIA

### Strong Points

Croatia has a number of assets to attract foreign investors. These include :

- Its membership in the European Union
- A positive budget surplus since 2013
- Low inflation (0,3% in 2020, IMF)
- An advantageous geographical location along the Adriatic Sea, enabling a very vigorous tourism sector
- A multilingual and well-trained workforce
- Good quality infrastructure: Croatia continues to invest heavily in transport, telecommunications and energy infrastructure
- Restructuring of the country's tax system started in 2015 that has already begun to bear fruit
- A safe environment for investment and business by being a member of NATO and the European Union

### Weak Points

Croatia still faces a number of challenges to gain competitiveness and attract more FDI:

- Vulnerability of the national economy because of its dependence on the economic situation of the European Union.
- The administrative and judicial system is slow and needs improvement
- A high level of public debt despite tax reforms in the recent past
- Structural weaknesses, including an imbalance in current payments, significant private external debt and a trade deficit
- Highly dependent on the tourism industry
- The population is decreasing due to the emigration of qualified people.

### Government Measures to Motivate or Restrict FDI

Croatia is open to foreign investment. The government has committed itself to increase foreign investment and has taken measures to improve the investment climate in the country. To accomplish this it has implemented

tax reductions and employment incentives for manufacturing, technology centres and support services. Amongst the main measures enacted by the government are:

- [Equal treatment of nationals and foreigners](#)
- [Low company administrative fees](#)
- [Laws protecting intellectual property \(such as the Patent Act amended in January 2020\)](#)

All measures were enacted to create an attractive framework for investors and to make Croatia a trusted foreign investment recipient.

As a matter of fact, from 2020 to 2024, the Ministry of Justice and the Ministry of Economy and Construction will work together on the "Justice for Business" project. This project, for which the World Bank has approved a USD 110 million loan to Croatia, aims to support reforms that will improve justice sector services to improve the business climate.

Also, the Investment Promotion Act (IPA), amended in 2020, provides incentives (tax refunds or cash grants) for investment projects in manufacturing and processing activities, development and innovation activities, business support activities, and high value-added services.

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## INVESTMENT OPPORTUNITIES

### Tenders, Projects and Public Procurement

[Tenders Info](#), [Tenders in Croatia](#)

[Globaltenders](#), [Tenders Worldwide](#)

[DgMarket](#), [Tenders Worldwide](#)

### Finding Assistance For Further Information

#### Investment Aid Agency

[Invest in Croatia](#)

#### Other Useful Resources

[Foreign Investor Council Croatia](#)

[The online counter to register your business in Croatia](#)

#### Doing Business Guides

[Croatia Commercial Guide - export.gov](#)

[Croatia Tax Guide - Deloitte](#)

[Doing business in Croatia - UHY](#)

[Doing Business Report - World Bank](#)

[Croatia Commercial Guide - ITA](#)